CONCORDIA UNIVERSITY

BOARD OF GOVERNORS

CONCORDIA EMPLOYEE BENEFITS COMMITTEE

Meeting June 16, 1982

Attendance: Acting Chairman, Mr. G. Fisher, Prof. L. Bessner, Mr. R. Doutre, Prof. H. Ripstein, Mr. B. Smart, Mr. C. Waters, Miss D. Johnson and Mr. M. Hamilton of William M. Mercer Ltd.

Regrets: Prof. G. Martin and Mr. S. Huza

Meeting with the Auditors:

The Chairman reported that he had met with the auditors and had reviewed their recommendations. These related to some changes in reporting by the custodian, National Trust. The Secretary noted that requests for these changes and improvements in reporting had already been submitted to National Trust.

Minutes of the Meeting of May 26, 1982:

Mr. Bruce Smart moved that the minutes of the meeting of May 26, 1982 be approved. The motion was seconded by Mr. Colin Waters and unanimously carried.

Group Life Insurance Premium Reduction:

Mr. Smart noted that the reduction in University costs, resulting from the proposed reduction in premiums and the modified cost sharing, totalled $104,000.00. Mr. Smart proposed that the avantage should be rolled back to the employees by increasing the proportion of the premiums paid by the University. A rate structure incorporating this modification was distributed to Committee Members.

Mr. Waters commented that the original premium structure was based upon the philosophy that the University would fund the Basic insurance and the employees would fund the optional. By increasing the University's share of optional life insurance costs we could be giving employees something they don't need.

Prof. Bessner suggested that another approach could be an increase in the Basic coverage, the money saved being used to enrich the fringe benefits.

Mr. Smart reminded committee that the government was funding the benefits and we do not want to fall behind the other Universities in the funding ratio.

Mr. Doutre agreed that we do not want to lose something we already have but there is also no intent to increase the benefits ratio at this time.

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Mr. Hamilton noted that rates would be very unstable if the University share was fixed. Committee should examine what proportion of the cost should be borne by the University. For example, Survivor Income Benefit or optional Life Insurance may not be needed by all employees. We should not encourage employees to buy something they don't need, by further reducing employees premiums rates the optional life rates will be nearing A.D. & D. rates. Having identified the appropriate proportion of Life Insurance premium to be paid by the University we can then identify other benefits toward which the adjustment should go. Assuming the savings are to be used elsewhere we must determine where. For example if the number of participants was increased $100,000.00 could be absorbed by new entrants. With reduced premium rates even healthy people will opt for increased coverage and there could also be pressure for open enrollment.

It was noted that the premium reduction was based upon the experience at December 31, 1981 and six claims had already been incurred in 1982. The Committee was reminded that an increase in the University share of the cost of Life Insurance would reflect back to employees as an increased taxable benefit.

Mr. Smart commented that the taxable income implications made reduced premium rates less desirable for employees and asked if the value of Survivor Income Benefit was related to a multiple of salary.

Mr. Hamilton replied that the relative worth of Survivor Income Benefit reduces as interest rates rise but it is equivalent to $2\frac{1}{2}$ to $3\frac{1}{2}$ times salary at age 35. At the moment, Survivor Income Benefit is losing popularity because of rising interest rates.

The Chairman suggested that the various alternatives for improvement in Life Insurance as well as other benefits be reviewed and recommendations for improvements be submitted along with the cost estimates attached to them.

Mr. Waters asked how prevalent "employee pay all" plans were becoming. Mr. Hamilton responded that they are much more prevalent now in the light of taxable benefits, increased employer contributions simply lead to inequalities in amounts of taxable life insurance.

Mr. Smart noted that since the overall package had not been reviewed since 1976 we should perhaps stall on any change in the Life Insurance premium reduction and option alternatives until a review of all plans has been studied.

The Chairman called for a motion and Mr. Waters proposed a motion for postponement of the Life Insurance rate reduction until a comprehensive review of all plans had been completed. The motion was seconded by Prof. Ripstein and unanimously carried.

Prof. Ripstein asked if the bargaining units should be approached regarding the review. The Chairman noted that they could be asked for comments on the proposals. Mr. Doutre pointed out that this Committee is charged with the responsibility for review and updating of the benefits programmes for all employees not just the certified groups. The various parts of the benefits package are not being negotiated at the bargaining table and the feedback from the bargaining units should come through the representatives of the committee.

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Mr. Smart noted that there has been a request for more information from C.U.N.A.S.A. and they still feel there is a gap in communication.

Mr. Doutre noted that communication should be a part of the overall process, however, Committee opinion could differ from either that of the administration or that of individual representatives.

Mr. Hamilton noted that the various groups could make their option proposals known to Human Resources for subsequent recommendation to Committee.

The Y.M.C.A. Retirement Fund:

Mr. Hamilton explained that the Concordia pension plan tops up the benefit provided by the Y.M.C.A. Retirement Fund in the event of a shortfall in benefit or the "Y" participant receives the Y.M.C.A. benefit if it is greater than the Concordia plan formula.

The Y.M.C.A. has now decided to establish a separate Canadian Y.M.C.A. Retirement Fund and they have offered the ten remaining Concordia participants two options:

1) to vest their current benefits in the "Y" Fund in New York and contribute new money to the Canadian Fund

OR 2) to transfer their vested benefit to the Canadian fund and make future contributions to the Canadian "Y" fund.

From the point of view of the Concordia participants the reasons for remaining in the "Y" plan are not obvious. We face the complexity of the lingering exceptions related to the computation of benefits and have proposed a direct transfer to the Concordia fund rather than the Canadian "Y" Fund.

The initial reaction of the "Y" fund administrators in New York has been that they would prefer to transfer the benefits and contributions to the Canadian "Y" fund. In view of the potential for U.S. administrators to lose interest in Canadian plans and regulations it is felt that the participants should be encouraged to move their benefits and contributions to Canada.

The Chairman asked if the benefits in the U.S. Fund were in Canadian dollars or U.S. dollars in view of the current exchange rates. Mr. Hamilton replied that all benefits are in Canadian dollars.

Mr. Smart indicated that the administration can only call the members together, explain the alternatives and encourage them to authorize the transfer to Canada.

Colin Waters noted that in the '60's Sir George negotiated with the "Y" for a transfer and they only wanted to transfer twice the employee's contributions.

The Chairman suggested that we attempt to negotiate a transfer to the Concordia fund in Canada. Prof. Ripstein noted that since the University must make up the shortfall in benefits we should point out the advantages of transfer to Canada.

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Mr. Waters proposed a motion that the ten (10) remaining Y members authorize a transfer of their contributions to Canada and if funds must be transferred to the Canadian "Y" fund we should subsequently negotiate a transfer to the Concordia pension fund. The motion was seconded by Mr. Smart and unanimously carried.

Employee Benefits Statement:

Mr. Doutre advised committee that although we were giving the statement work priority there were additional delays in production due to the fact that Bill 15 had necessitated an additional workload for the Benefits staff over a three to four week period. Also, the audit report was in earlier this year and the audit had to be co-ordinated by the Benefits staff as well.

Mr. Smart asked that the minutes reflect the fact that there continue to be delays in production despite the commitment to committee.

Prof. Ripstein noted that we have experienced a year of substantial government intervention reflecting on Benefits programmes and the Chairman suggested that perhaps the expectations with regards to completion of the project were too high in the first place. The Chairman asked Mr. Hamilton if the 6 weeks required by Mercers could be reduced and Mr. Hamilton noted that there was little fat in this scheduling. The Chairman asked for a more realistic date assuming we can have all the data in to Mercers in August. Mr. Hamilton noted that their preparations and printing would take until the end of September.

Prof. Ripstein questioned why the timing of the audit was considered early in view of the fact it was four months after year end.

Mr. Doutre noted that we must await statements and results from National Trust and prepare the year end reconciliations. There are also more and more projects occurring within a constrained period. Mr. Hamilton added that Concordia and other Mercer clients were having difficulty with the services rendered by National Trust.

The Chairman noted that we probably could improve the timing of the audit report but this would result in increased fees due to the fact that we presently integrate the process with the overall University audit.

Audit Fees:

Mr. Hamilton advised Committee that the survey of audit fees produced widely varied results since some employees have segregated funds under one master trust and often the audit of the pension plan is done as a part of the overall company audit.

Mr. Smart asked if the .6% fee was reasonable for a plan of our size and Mr. Hamilton indicated it was.

Prof. Ripstein noted that we should make sure the records from National Trust improve and try to ensure continuity and follow-up with the auditors.

The Chairman noted a fall meeting could be arranged with Colin Campbell of Touche Ross.

Pension Plan Revisions - (Bill 15)

Mr. Hamilton summarized some of the issues which have to be discussed and modifications which must be included in the Pension Plan document to comply with the terms of Bill 15. A working paper entitled "Bill 15 Benefit Design Options" is attached as Appendix A.

The Chairman noted that Committee members would have to be given time to reflect upon the material presented and suggested that a meeting date be established to cover this topic only.

Wednesday, July 21st, was suggested as a tentative date.

Pension Benefit Following Long Term Disability:

The Secretary advised Committee that the section of the pension plan covering retirement benefits accumulating while in receipt of Long Term Disability benefits should be reviewed and expanded. (Section 4.4) Recently, it was noted that the pension for a disability recipent, calculated according to the plan document, was less than the pension benefit accrued to the date of commencement of Long Term Disability due to the fact that the Quebec Pension Plan maximum pensionable earnings have increased by 12½% per year and this substantially increased the carve-out as set out in the plan document. (Section 7.1 a) ii)

Mr. Hamilton noted that in any case where the level of salary is fixed at an earlier period this can happen. To avoid this result the Quebec Pension Plan maximum relating to the same period as the Final Average Earnings should be used. Mr. Hamilton also noted that a policy should be established for all disability cases.

Another approach which could be considered is indexing or updating the earnings base on which the pension is to be determined. This approach, for this group of participants, would not be costly if the indexing used was limited to C.P.I. minus 3%.

Mr. Smart commented that this type of adjustment to the plan is justifiable and the fund can afford it.

Prof. Ripstein noted that Long Term Disability recipients do not have the opportunity to work beyond their Normal Retirement Date and the increases in their disability benefits have not kept pace with inflation.

The Chairman cautioned committee that a plan amendment would be required and the recommendation submitted to the Board. It was suggested that the matter be considered further in order to make recommendation to the Board for a retroactive plan amendment. In the meantime the pension for the participant retiring now could be calculated to exclude the effect of the Q.P.P. increases.

Mr. Bruce Smart proposed a motion that the pension payable July 1, 1982 to Mr. R. Fraser should be calculated to exclude the effects of the increases in the Quebec Pension Plan Maximum Pensionable Earnings which have occured since his disability payments commenced.

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The motion was seconded by Mr. Waters and unanimously carried. The Chairman asked that a rough recommendation for amendment be submitted for the next meeting.

Past Service Request - V. Lavigne:

The Secretary presented the request for permission to purchase past service submitted by Ms. V. Lavigne. The Chairman noted that in the light of the voluntary nature of plan participation there was little justification to make exception for this employee.

Mr. Smart asked if the employee couldn't cover the cost of both the University share and her own contributions.

It was noted that there was no plan provision to cover other employees similarly affected and we could offer the option of Additional Voluntary Contributions including tax shelter for the years the participant did not contribute to the plan.

By unanimous decision of the Committee the request for past service was denied and the Secretary was asked to advise the participant and outline the Additional Voluntary Contribution option and tax shelters.

The meeting adjourned at 12:45 p.m.

T.D. Johnson

Respectfully submitted